

FOR IMMEDIATE RELEASE

January 2, 2024

COMPTROLLER SEAN SCANLON PROJECTS \$178 MILLION SURPLUS

Current predictions yield Rainy Day Fund just under \$4 billion in 2024

(HARTFORD, CT) – Comptroller Sean Scanlon today, in his monthly financial and economic update, projected that the General Fund will end Fiscal Year 2024 with a \$178.0 million surplus and the Special Transportation Fund will end Fiscal Year 2024 with a \$210.3 million surplus, both in general agreement with the Office of Policy and Management.

The increase in the surplus from last month, when the projection stood at \$153.9 million, is due to a reduction in the overall projected expenditures by state agencies totaling \$24.1 million. Revenue projections were unchanged from November, remaining at an estimated \$22.5 billion.

"2023 was another positive year when it came to Connecticut's continued fiscal momentum," said Comptroller Scanlon. "We ended the year with a surplus for the sixth consecutive year, once again had a full Rainy Day Fund and had paid off another \$1 billion in pension debt. As we begin 2024 and as the largest tax cut in state history takes effect, we are projecting a modest increase in our surplus. So long as we stay true to our fiscal discipline and guardrails, 2024 will be another year of progress for Connecticut's fiscal turnaround."

In his final letter to Governor Ned Lamont of 2023, Scanlon noted that the country's economy is on track to end the year with vigorous growth driven by stronger than expected consumer spending, robust and steady job growth, as well as growing wages.

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Economic Outlook

The U.S. economy is on track to end 2023 with vigorous growth for the year driven by stronger than expected consumer spending, robust and steady job growth, as well as growing wages. Even with the Bureau of Economic Analysis' downward revision of real Gross Domestic Product (GDP) to 4.9%, this is still the largest advance since the fourth quarter of 2021.

Consumer confidence increased again in December for the second consecutive month, a result of improved confidence about future business conditions, job availability, and income. Additionally, based on available data and current economic trends, there is optimism that the Federal Reserve will begin to cut rates in the second quarter of 2024. However, current events such as the war between Israel and Hamas, the restart of student loan payments, rising prices in general, and high interest rates continue to have many Americans feeling concerned. Furthermore, the personal savings rate slightly increased for the second consecutive month, which may be an indication of preparation for economic uncertainty.

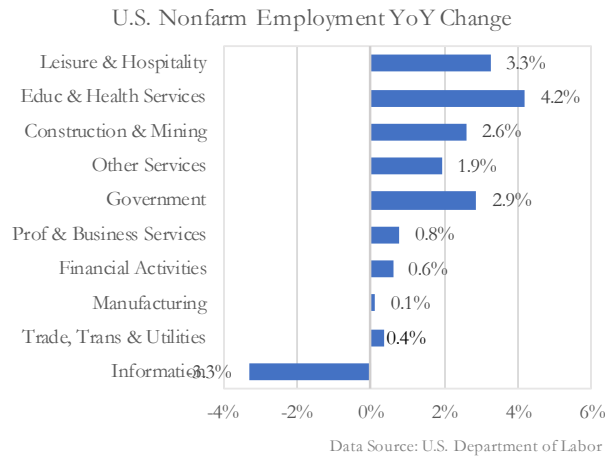
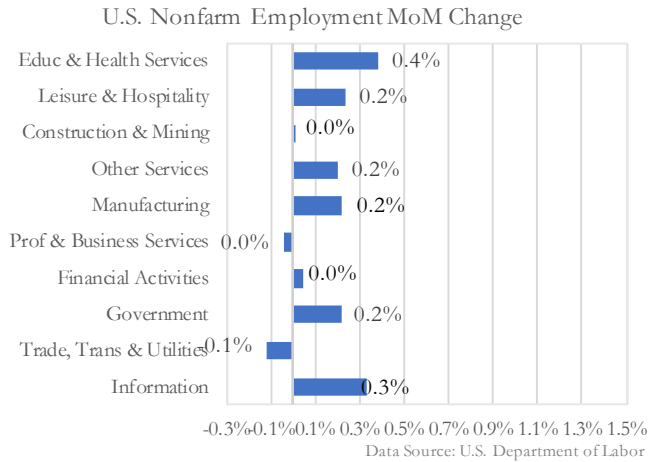
Labor Market Statistical Summary

United States	Nov-23	Oct-23	Nov-22
Unemployment Rate	3.7%	3.9%	3.6%
Total Unemployed	6,291,000	6,506,000	6,000,000
Total Nonfarm Employment	157,087,000	156,888,000	154,296,000
Job Growth	+199,000	+150,000	+256,000
Job Openings to Unemployed Ratio	-	1.2	1.6
Quit Rate	-	2.3%	2.6%
Average Monthly Initial Unemployment Claims	220,250	210,750	212,500
Labor Force Participation Rate	62.8%	62.7%	62.2%
Average Hourly Wage	\$34.10	\$33.98	\$32.80
Connecticut	Nov-23	Oct-23	Nov-22
Unemployment Rate	3.6%	3.5%	4.0%
Total Unemployed	67,846	65,657	76,557
Total Nonfarm Employment	1,698,900	1,698,400	1,674,600
Job Growth	+500	+3,400	+5,200
Job Openings to Unemployed Ratio	-	1.36	1.48
Quit Rate	-	1.6%	1.7%
Average Monthly Initial Unemployment Claims	2,963	2,354	2,638
Labor Force Participation Rate	64.1%	64.1%	64.8%
Average Hourly Wage	\$36.64	\$36.81	\$35.04

National Job Growth

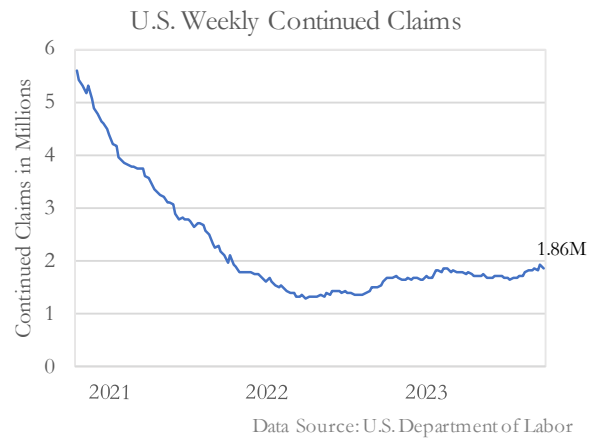
The Bureau of Labor Statistics reported the U.S. added 199,000 jobs in November, below the average monthly gain of 240,000 over the prior 12 months, with the largest increase in Education and Health Services. Employment growth was somewhat boosted by the return of automobile workers and actors after strikes. Year-over-year the U.S. added 2,791,000 jobs, and the two sectors with the largest growth were Education and Health Services (+1,037,000) and Government

(+643,000). The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector. See Appendix 1 for detailed industry sector data.



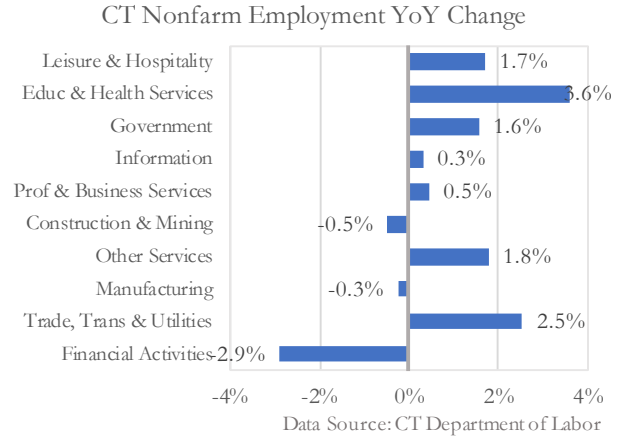
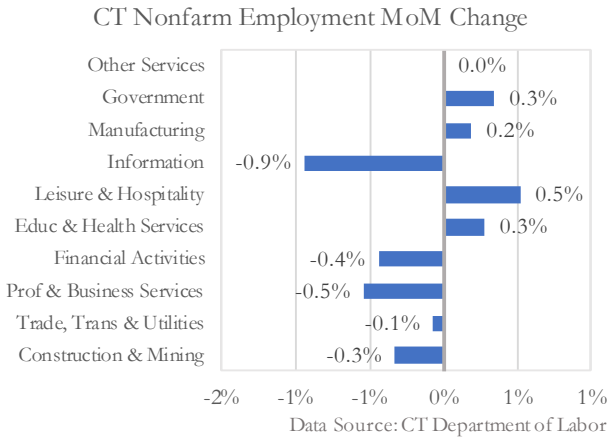
National Unemployment

The Bureau of Labor Statistics reported the U.S. unemployment rate was 3.7% in November, down 0.2% from 3.9% in October. The total number of unemployed people in November decreased by 215,000 to 6,291,000. For the week ending November 25, seasonally adjusted initial claims totaled 219,000 and seasonally adjusted continued claims totaled 1,856,000.



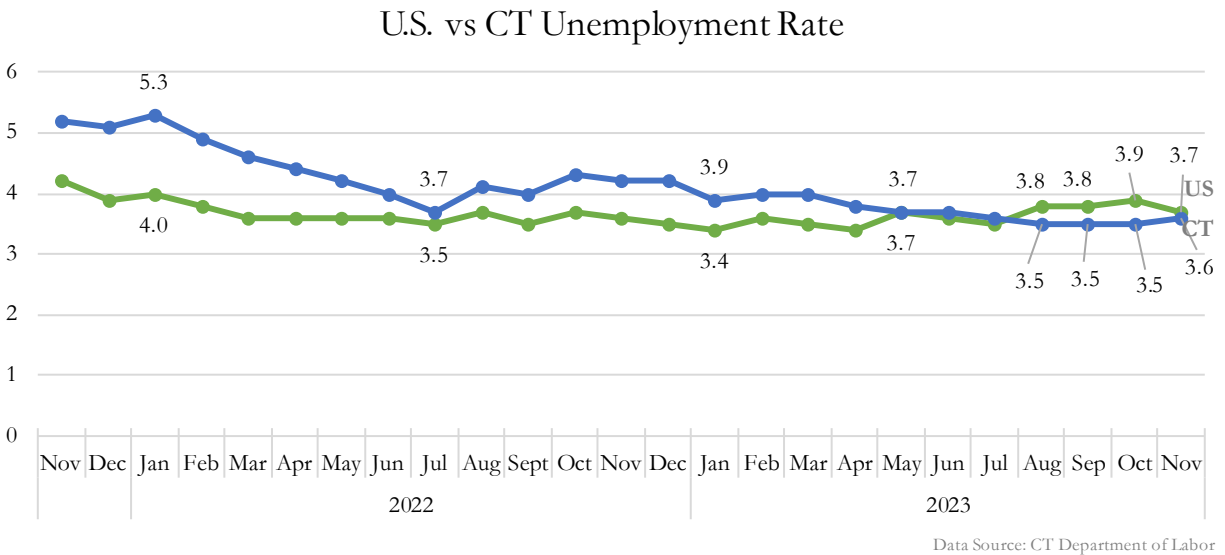
Connecticut Job Growth

Connecticut nonfarm payroll was up 500 jobs in November. Connecticut nonfarm employment is 8.3% higher than it was a year ago. According to the Department of Labor, private sector employment decreased slightly for the month (300), but is still 20,700 higher than this time last year. The private sector has also more than fully recovered (101.9%) from the April 2020 COVID pandemic level lows. Four out of the ten major industry sectors added jobs in November while five declined and one remained unchanged. The following graphs display the month-over-month and year-over-year net change in nonfarm employment by sector. See Appendix 2 for detailed industry sector data.



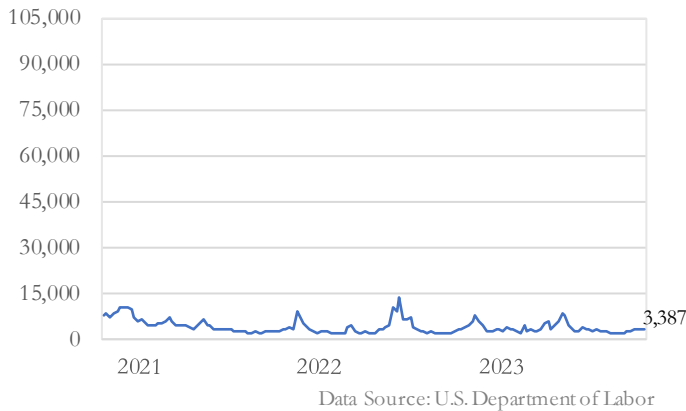
Connecticut Unemployment

The Connecticut unemployment rate was 3.6% for November 2023, below the national level of 3.7%. The total number of unemployed people in November decreased by 2,100 to 67,800.



For the week ending December 9, seasonally adjusted initial claims totaled 3,387 and seasonally adjusted continued claims totaled 22,832.

Connecticut Weekly Initial Claims



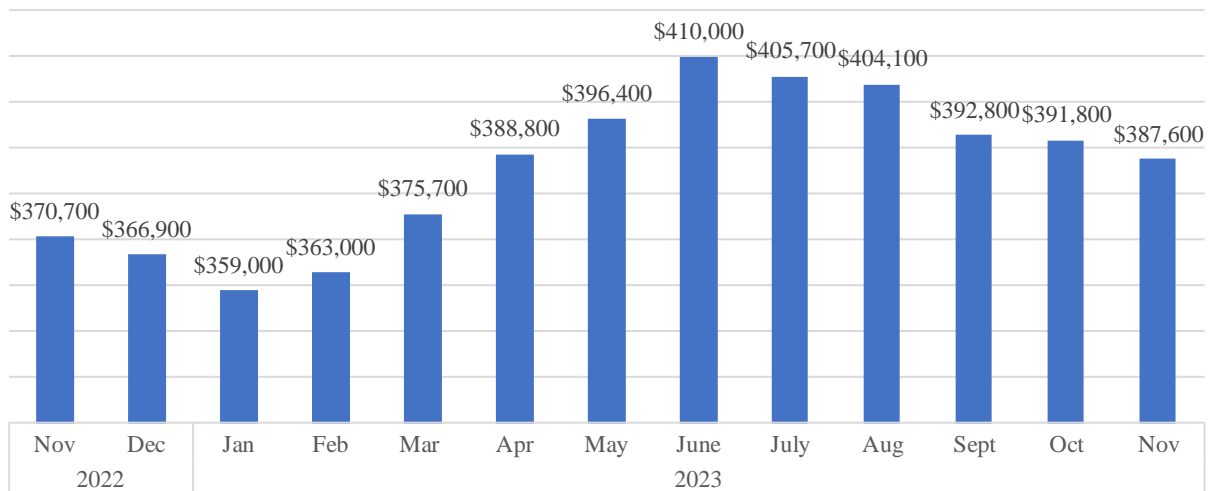
Connecticut Weekly Continued Claims



National Housing & Rental Market

The National Association of Realtors (NAR) reported existing-home sales increased 0.8% in November but were down 7.3% year-over-year. The median existing-home sales price was \$387,600 in November, rising 4.0% from a year ago, marking the fifth consecutive month of year-over-year price increases. The inventory of unsold existing homes declined 1.7% from the previous month to 1.13 million at the end of November, or the equivalent of 3.5 months' supply at the current monthly sales price.

Median Existing Homes Sales Price



Data Source: National Association of Realtors

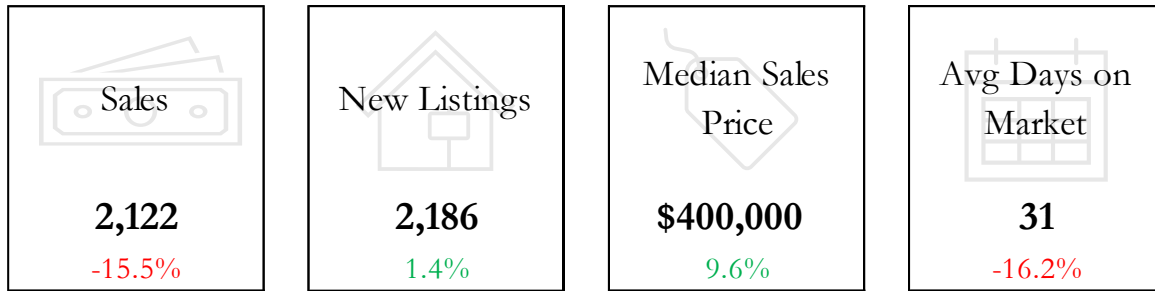
The rental market appeared to stabilize in November, with the asking price of rents decreasing by 0.2% from the prior month. Overall rent price increases have slowed down since its February 2022 peak and remain lower than pre-pandemic rates, according to Zillow. The driver behind this slowdown has been an increase in new multifamily construction coming to market. Due to the influx of new buildings, renters are seeing more than three in ten rental listings offering

concessions. As developers continue to build, the supply of new apartment inventory should be abundant in the year ahead.

Connecticut Housing & Rental Market

Berkshire Hathaway HomeServices reported year-over-year sales of single-family homes decreased 15.5% and new listings were up 1.44% in November. Median sales price increased by 9.6% and median list price increased by 7.6%. Average days on the market decreased six days compared to a year ago from 37 days in November 2022 to 31 days in November 2023. On average, sales prices came in at 102.6% of list prices. See Appendix 3 for detailed Connecticut Housing Market data.

November 2023 Connecticut Housing Market



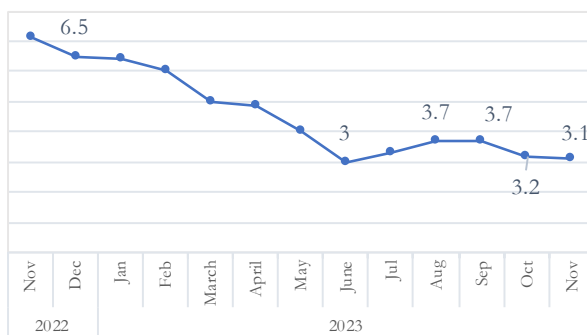
Data Source: Berkshire Hathaway HomeServices

The median rent for all bedroom and all property types in Connecticut is \$1,850, according to Zillow Rental Data. This is 5.9% lower than the national median. Despite being lower than the national median, the National Low-Income Housing Coalition reports that there is a shortage of 89,013 rental homes that would be affordable and available to extremely low-income renters in Connecticut.

Inflation

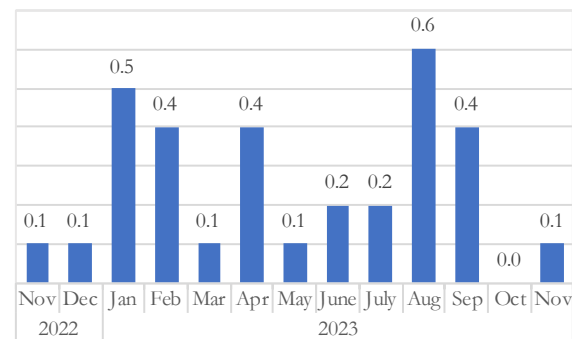
The Bureau of Labor Statistics reported the Consumer Price Index (CPI) rose 0.1% in November on a seasonally adjusted basis, after being 0.0% in October. Over the last 12 months, the “all items” expenditure category dropped 4.0% to 3.1% in November.

12-Month Percent Change in CPI



Data Source: U.S. Department of Labor

One-Month Percent Change in CPI



Data Source: U.S. Department of Labor

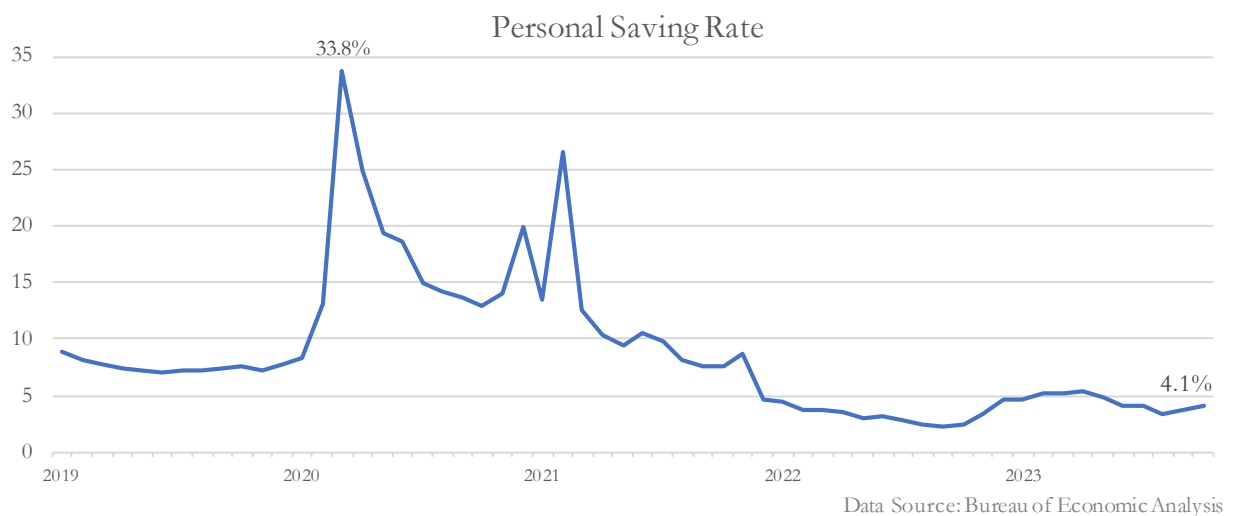
The Federal Reserve continues to hold rates steady, with some officials signaling that rate cuts are on the horizon. While November's Consumer Price Index rose 3.1%, compared to October's 3.2%, it has been noted that the Fed's goal has been 2.0% causing some to believe that rates will likely be reduced in the second quarter of 2024, or earlier. The U.S. Dollar has also hit a five-month low based on speculation that the Fed is close to making rate cuts.

Consumer Spending, Saving & Debt

The Bureau of Economic Analysis reported Personal Income increased \$81.6 billion (0.4%) in November. Continued increases in compensation and personal income receipts on assets were partly offset by a decrease in personal current transfer receipts.

Personal Consumption Expenditures (PCE) increased \$46.7 billion (0.2%), reflecting an increase of \$58.8 billion in spending for services that was partly offset by a \$12.1 billion decrease in spending for goods. Within services, the largest contributors to the increase were housing and utilities (led by housing) and food services and accommodations (led by purchased meals and beverages). Within goods, the leading contributor to the decrease was gasoline and other energy goods (led by motor vehicle fuels, lubricants, and fluids).

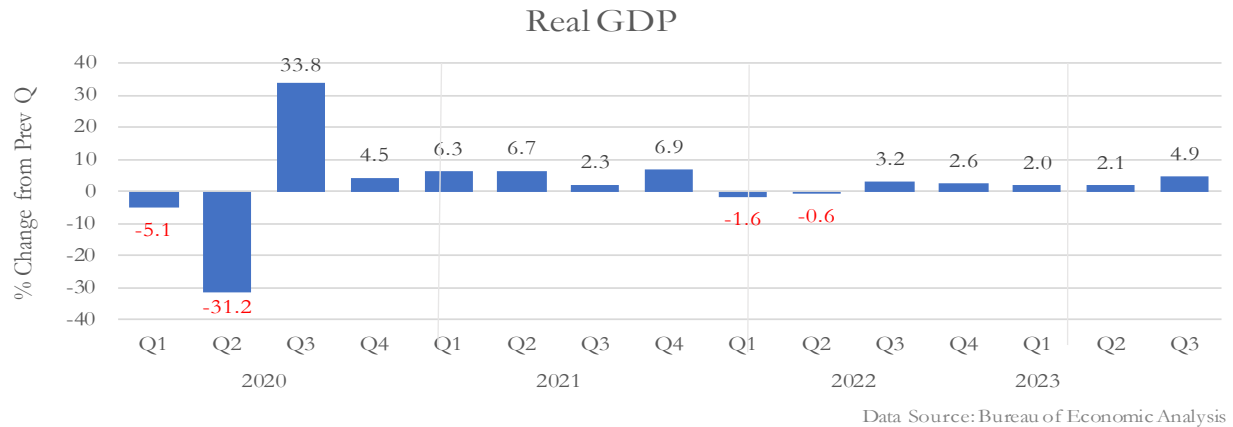
The personal-saving rate was 4.1% in November, compared with 3.8% in October.



National GDP

The Bureau of Economic Analysis released the third estimate of U.S. real Gross Domestic Product, which increased at an annual rate of 4.9% in the third quarter of 2023. The update, which is based on more complete data than the second estimate, primarily reflected a downward revision to consumer spending. Imports, which are a subtraction in the calculation of GDP, were also revised down.

Compared to the second quarter, the acceleration in real GDP in the third quarter primarily reflected accelerations in consumer spending and private inventory investment and an upturn in exports that were partly offset by a deceleration in nonresidential fixed investment.



Stock Market and State Revenue

As of December 28, the NASDAQ, S&P 500, and Dow Jones Industrial Averages were up 6.2%, 5.2%, and 6.7%, respectively, for the month. The NASDAQ, S&P 500 and The Dow Jones Industrial Averages are up 44.5%, 24.7%, and 13.8% year-to-date, respectively. Stocks have been increasing since the ten-year Treasury yield retreated from the 5% mark after a sixteen year high in October. With inflation numbers staying low, increased consumer confidence, and expectations of Fed rate cuts, the stock market has continued its upward momentum during the month of December, which is historically a strong month.

The performance of the stock market and overall economy has a significant impact on Connecticut tax revenue. In a typical year, estimated and final income tax payments account for approximately 25-30% of total state income tax receipts, but can be an extremely volatile revenue source. FY 2024 projections of estimated and final payments indicate that they will be down a combined 29.1% compared with the same period from FY 2023.

Consumer Confidence

The Conference Board reported the U.S. consumer confidence index increased in December to 110.7 (1985=100), up from the revised 101.0 in November. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, rose to 148.5 (1985=100) from 136.5 last month. The Expectations Index, which is based on consumers' short-term outlook for income, business, and the job market, rose to 85.6 (1985=100) in December, up from 77.4 in November. This increase brings expectations back to levels of optimism last seen in July of this year.

The survey showed that consumer confidence reflected more positive ratings of current business conditions and job availability, as well as less pessimistic views of business, labor market, and personal income prospects over the next six months according to Dana Peterson, Chief Economist at the Conference Board. Consumers' perceived likelihood of a recession over the next 12 months abated in December to the lowest level this year, although two-thirds still see a downturn possible in 2024. Despite the fear of a recession, the survey noted that roughly 36% of respondents expect their family's financial situation to be better in the next six months, with 12% expecting it to be worse.

Appendix 1: National Employment Data by Sector

U.S. Nonfarm Employment by Sector							
Sector	November	October	November	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Information	3,025,000	3,015,000	3,129,000	10,000	0.3%	-104,000	-3.3%
Trade, Trans & Utilities	28,833,000	28,868,000	28,731,000	-35,000	-0.1%	102,000	0.4%
Government	22,967,000	22,918,000	22,324,000	49,000	0.2%	643,000	2.9%
Financial Activities	9,152,000	9,148,000	9,097,000	4,000	0.0%	55,000	0.6%
Prof & Business Services	22,971,000	22,980,000	22,791,000	-9,000	0.0%	180,000	0.8%
Manufacturing	12,985,000	12,957,000	12,968,000	28,000	0.2%	17,000	0.1%
Other Services	5,897,000	5,885,000	5,785,000	12,000	0.2%	112,000	1.9%
Construction & Mining	8,677,000	8,676,000	8,457,000	1,000	0.0%	220,000	2.6%
Leisure & Hospitality	16,787,000	16,747,000	16,258,000	40,000	0.2%	529,000	3.3%
Educ & Health Services	25,793,000	25,694,000	24,756,000	99,000	0.4%	1,037,000	4.2%

Data Source: US Department of Labor

Appendix 2: Connecticut Employment Data by Sector

CT Nonfarm Employment by Sector							
Sector	November	October	November	MoM		YoY	
	2023	2023	2022	Change	Rate	Change	Rate
Other Services	62,800	62,800	61,700	0	0.0%	1,100	1.8%
Leisure & Hospitality	154,800	154,000	152,200	800	0.5%	2,600	1.7%
Financial Activities	113,800	114,300	117,200	-500	-0.4%	-3,400	-2.9%
Government	233,100	232,300	229,500	800	0.3%	3,600	1.6%
Trade, Trans & Utilities	302,200	302,400	294,700	-200	-0.1%	7,500	2.5%
Educ & Health Services	358,600	357,600	346,100	1,000	0.3%	12,500	3.6%
Manufacturing	158,400	158,100	158,800	300	0.2%	-400	-0.3%
Prof & Business Services	221,900	223,100	220,900	-1,200	-0.5%	1,000	0.5%
Information	31,600	31,900	31,500	-300	-0.9%	100	0.3%
Construction & Mining	61,200	61,400	61,500	-200	-0.3%	-300	-0.5%

Data Source: CT Department of Labor

Appendix 3: Connecticut Housing Market Statistics

Connecticut Market Summary						
	November-23	November-22	% Change	YTD 2023	YTD 2022	% Change
New Listings	2,186	2,155	1.4%	31,382	39,619	-20.8%
Sold Listings	2,122	2,512	-15.5%	25,403	32,840	-22.7%
Median List Price	\$394,950	\$367,000	7.6%	\$389,900	\$369,900	5.4%
Median Selling Price	\$400,000	\$365,000	9.6%	\$400,000	\$379,000	5.5%
Median Days on the Market	15	21	-28.6%	15	17	-11.8%
Average Listing Price	\$579,124	\$552,957	4.7%	\$623,502	\$578,375	7.8%
Average Selling Price	\$587,499	\$553,290	6.2%	\$631,492	\$588,983	7.2%
Average Days on the Market	31	37	-16.2%	35	36	2.8%
List/Sell Price Ratio	102.6%	100.6%	1.9%	103.0%	102.6%	0.3%

Data Source: Berkshire Hathaway HomeServices